

GILLESPIE FIELD DEVELOPMENT COUNCIL  
September 17, 2013

AGENDA ITEM #6

Proposed New Aviation Lease with The Borden Trust Dated June 11, 2007

**Background**

On November 13, 2002, County of San Diego ("County") entered into a 30-year ground lease with RPG Investments, Inc. ("RPG") for 10.072 acres of aviation land at Gillespie Field. This lease, known as County Contract No. 75623R, commenced on January 1, 2003.

In 2008, at the request of RPG, the premises were split into two adjacent parcels. Through a lease amendment, the premises size of County Contract No. 75623R was reduced to 8.044 acres. A new lease, known as County Contract No. 126082, was issued to RPG for the remaining 2.028-acre parcel, which was immediately assigned to Michael C. Borden d.b.a. High Performance Aircraft ("Borden"). This 30-year aviation lease commenced November 1, 2008. Borden has been operating at Gillespie Field since 1988, providing aviation services that include sales of aircraft and aircraft parts, Jet A fuel sales, hangar rentals, aircraft detailing, and aircraft repairs. Borden also subleases from RPG certain portions of RPG's 8.044-acre leasehold.

RPG intends to assign the interest in its 8.044-acre leasehold to Borden. Borden requested that upon such assignment, a new 32-year aviation lease for the combined 10.072 acres would be issued in the name of The Borden Trust Dated June 11, 2007.

**PROPOSED NEW AVIATION LEASE WITH THE BORDEN TRUST DATED JUNE 11, 2007 (NEW LEASE SHALL SUPERSEDE CONTRACT NOS. 126082 AND 75623R)**

Premises – The lease will include parcels 2008-0225-A and 2008-0225-B. The combined premises will be approximately 10.072 acres.

Term – The new lease will have a term of 32 years, commencing on January 1, 2014, and terminating on December 31, 2045. The additional term was requested to allow time for planned improvements to be constructed.

Capital Investment – Within the first 36 months of the lease, Borden will be required to invest a minimum of \$595,533 in capital improvements. The planned improvements, construction of a box hangar at 1840-A Joe Crosson Drive, were already approved by GFDC on July 19, 2005.

Rent – The initial base monthly rent of \$8,813.00, same as the current rent for both leaseholds, will be adjusted every December 1<sup>st</sup>, in accordance with the current Gillespie Field aviation rent adjustment schedule, through 2019. The adjustment rates are the same for all aviation leases at Gillespie Field.

Transfer Premium Payment – Within 30 days of Board's approval, Borden will pay a total of \$19,864, which includes the transfer premium payment due for the transfer of the current RPG leasehold and the principal amount outstanding as of January 1, 2014, under Borden's existing lease for the past transfer.

Equity – Within 30 days of Board's approval, Borden will repay the current outstanding principal of \$32,633, for the previous lease extension, due as of January 1, 2014, under his existing lease (County Contract No. 126082). Borden will also pay to County a lump sum payment of \$644,600, for the postponement of the County's reversionary interest in leasehold improvements for the additional term granted as a result of this proposed new lease.

In addition, Borden will have to replace, within the first ten years of the lease, the older portions of buildings at 1820 and 1830 Joe Crosson Drive or repay the \$32,700 discount applied toward calculations of his equity payment.

#### **Benefits to County**

The new lease will result in improved property that will enhance the appearance of Gillespie Field. Airports will benefit through continued dependable rent revenue, as well as a one-time equity payment from the lessee.

#### **RECOMMENDED MOTION**

*"Gillespie Field Development Council recommends the Board of Supervisors approve the new 32-year lease with The Borden Trust Dated June 11, 2007, as recommended by staff."*